



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

201341040

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

JUL 19 2013

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Re:

Dear

This letter constitutes notice that your request for a waiver of the minimum funding standard for the Plan for the plan year ending December 31, 2011, has been granted subject to the following conditions:

- (1) Starting with the quarterly contribution due on January 15, 20¹², Company A makes the required quarterly contributions to the Plan in a timely fashion while the Plan is subject to a waiver of the minimum funding standard. For this purpose, the total amount of each quarterly contribution will be determined in accordance with section 430(j)(3)(D) and section 430(j)(3)(E) of the Internal Revenue Code ("Code"), and can be comprised of several installments made prior to the respective due date of the quarterly contribution;
- (2) Company A makes the minimum required contributions to the Plan for the plan years ending December 31, 20¹¹, through 20¹², by September 15, 20¹¹ through 20¹², respectively; and
- (3) in accordance with section 412(c)(7) of the Code, Company A will not amend the Plan to increase the liabilities of the Plan by reason of any increase in benefits, any change in the accrual of benefits, or any change in the rate at which benefits become nonforfeitable under the Plan while the funding waiver is in effect, with only certain exceptions as defined in section 412(c)(7)(B) of the Code.

You agreed to these conditions in a letter dated June 5, 20 . If any one of these conditions is not met, the waiver of the minimum funding standard granted for the Plan for the plan year ending December 31, 20 , is retroactively null and void.

The conditional waiver granted for the Plan for the plan year ending December 31, 20 , has been granted in accordance with section 412(c) of the Code and section 303 of Employee Retirement Income Security Act of 1974 ("ERISA"). The amount for which this waiver has been granted is equal to the contribution that would otherwise be required to reduce the balance in the funding standard account of the Plan to zero as of December 31, 20 .

Company A is a privately-held producer of softwood veneer and boards for the wood product industry since 19 at Site A. The Company was originally family-owned. A related company, Company B, was formed in 19 at Site B to produce the same products as Company A. The family members running both companies retired in 19 , and a new ownership structure put into place. All stock from both companies is owned by Holding Company.

Company B curtailed operations in 20 due to decrease in demand for products. Site B is currently closed with no plans to resume operations at this time. All remaining employees of Company B transferred to Company A's plant at the end of 20 . Company A also curtailed operations in 20 . Currently, only employees remain at Site A with limited ongoing production.

The financial information provided by the Company indicates that it has experienced a substantial business hardship. The business hardship is related to the steep decline in the company's products due to collapse in the housing market since the stock market crash in 2008 and the resulting recession and slow economic growth since that time. Company B's plant is no longer active. Company A's plant continues limited operations, but most sections of the plant are currently closed (although they could be re-started as needed). Company A was only able to meet the funding requirements for the 20 plan year and a portion of the 20 plan year by using the proceeds of the sale of equipment from Company B's site. Moreover, in an effort to fund the pension plan and increase cash flow, Company A has placed many of its timber holdings for sale.

Nevertheless, Company A is doing well compared to its competitors, many of which have left the market place. Company A is in a good position to increase production quickly if there is an upturn in the housing market, and it has taken steps to ameliorate the downturn including conserving cash and aggressively cutting operating costs, including its CEO taking a substantial cut in compensation. Company A is also mostly debt-free except for a \$ million credit line used to fund accounts receivables and inventories. Moreover, Company A has retained pension counsel to request that the Department of Labor ("DOL") allow Company A to make an "in-kind" contribution to the Plan of some of Company A's timber holdings. These factors, as well as positive signs that growth in the economy, especially demand for lumber and an increase in new

housing starts, indicate that Company A's business prospects have improved and that it can resume funding the Plan if the DOL approves its request to make an "in-kind" contribution to the Plan. Accordingly, Company A's request for a waiver of the minimum funding standard for the Plan for the plan year ending December 31, 20 , has been granted.

Your attention is called to section 412(c)(7) of the Code and section 304(b) of ERISA which describe the consequences that would result in the event the Plan is amended to increase benefits, to change the rate in the accrual of benefits, or to change the rate of vesting, while any portion of the waived minimum required contributions remain unamortized. Please note that any amendment to a profit sharing plan or any other retirement plans (covering employees covered by the Plan) maintained by Company A, to increase the liabilities of those plans would be considered an amendment for purposes of section 412(c)(7) of the Code and section 304(b) of ERISA. Similarly, the establishment of a new profit sharing plan or any other retirement plan by Company A (covering employees covered by the Plan) would be considered an amendment for purposes of section 412(c)(7) of the Code and section 304(b) of ERISA.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

We have sent a copy of this letter to the Manager, EP Classification in , and to the Manager, EP Compliance Unit in . We suggest that you furnish a copy of this letter to the enrolled actuary who is responsible for the completion of the Schedule SB.

If you require further assistance in this matter, please contact) at

Sincerely yours,



David M. Ziegler, Manager
Employee Plans Actuarial Group 2

cc:

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